

Sheldon Mak Rose Anderson

TRADEMARKS IN THE UNITED STATES

by
Sheldon Mak Rose & Anderson

1. WHAT IS A TRADEMARK?

A trademark is any word, name, symbol, design, slogan, distinctive sound, or combination thereof which identifies and distinguishes the goods or services of one party from those of others. Normally a trademark for goods is the word or design that appears on the product or on its packaging, while a service mark is usually the word or design that is used in advertising to identify the owner's services. Trademarks and service marks are generically referred to as "trademarks". Trademark rights can last indefinitely if the mark continues to perform a source-indicating function.

There is one further type of mark, and that is a "trade dress" mark. If the symbol used as a trademark consists of the shape, size, and/or color of a product, the product's trade dress can be protected. Among the products whose appearance has been protected in the United States are the stripes on athletic shoes, the appearance of packaging for foods and soft drinks, and the appearance of lamps. Trade dress protection is generally limited to non-functional features. Trade dress rights cannot be used to keep somebody from competing effectively by tying up the functional features of products.

The most important thing about trademarks in the United States is that they identify to consumers the source or sponsor of the goods. For example most American consumers recognize that every bottle of Pepsi Cola is sponsored by a single source. Although there are many Pepsi Cola bottling plants around the country, Americans recognize that all of them are authorized or licensed by Pepsi Cola, Inc. to use the mark.

Trademarks are protectable to the first user of the mark. Although trademarks may be registered at the state or federal level, registration is not necessary to obtain rights in the United States. However, as detailed below, registration of a mark is extremely valuable in protecting rights.

2. IMPORTANCE OF TRADEMARKS

The importance of trademarks in the United States economy cannot be overstated. For many organizations, a trademark is its most valuable asset. The value of the "IBM", "Coca-Cola", "Perrier", "Kodak", "Sony", "Mercedes-Benz", and "McDonald's" trademarks are in the many millions of dollars. The trademarks represent to U.S. consumers quality products with a dependable and reliable company standing behind the products. For many companies, trademarks are much more valuable than any patents or copyrights they may own. As the Supreme Court of the United States has stated:

"The protection of trademarks is the law's recognition of the psychological function of symbols. If it is true that we live by symbols, it is no less true that we purchase goods by them. A trademark is a merchandising short-cut which induces a purchaser to select what he wants or what he has been lead to believe he wants. The owner of a mark exploits this human propensity by making every effort to impregnate the atmosphere of the market with the drawing power of a congenial symbol. Once this is obtained, the trademark owner has something of value".

Trademarks are a great source of revenues in the United States, particularly through licensing and franchise agreements. Disney Company earns millions of dollars every year by licensing its trademarks to manufacturers of such goods as watches, bedding, clothing, hats, and toys. Similarly, McDonald's and

Pepsi Cola have many franchisees that pay dearly for the right to use the McDonald's and Pepsi Cola trademarks.

In view of the value of trademarks in the marketing of goods and services in the United States, selection of a good trademark is extremely important.

3. SELECTION OF TRADEMARKS

1. Select a Strong Mark

In the selection of trademarks, it is important to pick a mark that can be protected and can be used for developing goodwill and market share. In determining the strength of a mark, the courts use four basic categories:

1. Generic - A generic term is the common name for a particular type of product, and can never be a trademark. For example, the terms "brassiere", "aspirin", "escalator", and "cellophane" are generic and can be used by anybody, even though the terms were once trademarks.
2. Descriptive - Descriptive terms convey an idea regarding an ingredient, quality, characteristic, desired effect, or desired benefit of the goods. For example, "Trim" for manicuring implements, and "Honey-Baked Hams" for hams have been held to be descriptive. Descriptive terms are not protectable as trademarks in the United States unless they have acquired "secondary meaning". A term has achieved "secondary meaning" when the term serves to identify the source of the merchandise, rather than having its ordinary English language meaning. For example, the term "Trim" is a trademark for manicuring implements because consumers recognize that the word "Trim" identifies the source of the merchandise rather than describing the function of the merchandise.

There are three other types of marks that require secondary meaning to be protected. These are surnames, certain geographical names, and trade dress marks.

3. Suggestive - A suggestive term is a term that merely suggests something about the product. The line between suggestive and descriptive is often hard to identify. However, it is much better to have a suggestive term rather than a descriptive term because suggestive terms are protectable in the United States as trademarks without any secondary meaning. Examples of suggestive marks are "Uncola" for a non-cola soft drink, and "Brilliant" for a furniture polish.
4. Arbitrary/Fanciful - Arbitrary and fanciful terms have little or no relationship to the product. These are the best terms to use for trademarks. They do not require secondary meaning and are given the broadest range of protection in the United States. The difference between "arbitrary" and "fanciful" is that arbitrary terms are based on real words, while fanciful terms consist of made-up words. Examples of arbitrary marks are "Camel" for cigarettes and "Tide" for a laundry detergent. Example of fanciful marks are "Exxon" for gasoline and "Rolex" for watches.

2. Avoid Confusion

Not only is it important to select a strong mark, it is also important to pick a mark that is not likely to confuse consumers. It is illegal to use, and impossible to register, a mark in the United States where the mark is identical to or resembles another mark so as to be "likely to cause confusion, or to cause mistake or to deceive." Actual confusion is not required. All that is needed is a "likelihood of confusion". Among the factors considered in determining whether there is a "likelihood of confusion" are:

1. The strength of the mark.
2. Similarity of the goods.
3. Similarity of the marks in appearance, sound, and meaning.
4. Evidence of actual confusion.
5. Similarity of the marketing channels used.

6. The amount of purchaser care used. More expensive goods usually require more purchaser care.
7. The intent of the second user. Was there an intent to trade on the goodwill of the first user or was the adoption of the similar mark innocent?
8. Likelihood of expansion of the two users into each other's product lines when the products are different.

Needless to say, the analysis of existence of likelihood of confusion is difficult and fact based. Attorneys well experienced in trademark law are usually called upon to express their legal opinion on this issue.

4. Conduct a Search

It is most important to conduct a thorough trademark search before adopting a mark in the United States in order to avoid confusion. Over 1,000,000 registrations have been made at the United States Trademark Office alone. Moreover, this is not the only source of marks which can interfere with the ability to use a new mark in the United States. A first user without a federal registration can bring a lawsuit against a second user of a mark based on the first user's state registrations or common law rights, or rights based on use of a trade name. Further, failure to conduct a search has been considered by some courts as evidence of lack of good faith in an infringement action resulting in substantial money damages.

Two types of searches are available. The first is a "screening" search useful when a large number of marks are being considered. The second is a "full" search. Screening searches are less expensive and provide faster turn around than full searches. We recommend that any screening search be followed up with a full search because screening searches do not cover state registrations in most cases, common law (non-registered) trademarks, and trade names.

It is important to realize that even the most thorough search is not foolproof. Attached as Exhibit A is a notice we send to our clients regarding limitations of trademark searches.

4. OBTAINING REGISTRATIONS IN THE UNITED STATES

1. Types of Applications

There are three bases for a foreign applicant to be able to obtain a federal registration in the United States. These are:

1. Actual Use - Registration in the United States Trademark Office can be based upon actual use of the mark in the United States or between the United States and a foreign country.
2. Based on a Foreign Registration - It is possible to obtain registration in the United States Trademark Office without any use, based upon a foreign registration. This is limited to countries which have the necessary treaty with the United States. These countries are identified in Attachment B. It is not necessary to actually have the registration at the time the United States application is filed; it is only necessary that the foreign registration issue during the pendency of the United States application. An advantage of using this procedure is that by filing within six months of the foreign application date, the benefit of that date is obtained in the United States. In other words, it is possible to file in Russia on March 15, 1989, and as long as the United States application is filed within 6 months, the benefit of the Russian filing date is obtained.
3. "Intent-to-Use" - As a result of recent legislations it is possible to apply to register a mark in the United States Trademark Office based on a bona fide good faith intent to use the mark. However, the registration will not issue until there has been actual use. A major advantage in filing an Intent-to-Use Application is that if the application issues as a registration, the filing of the application serves as constructive use of the mark. This confers upon the applicant a right of priority as of the filing date.

Another major advantage of an Intent-to-Use application is that the United States Trademark Office will examine the application for "likelihood of confusion" even without any actual use. Thus it is possible to have an early indication of registrability without incurring the expense of actual use such as printing labels and advertising. The

only disadvantage of filing an Intent-to-Use Application is the costs associated with filing evidence of use. Thus, the total cost of an Intent-to-Use application is greater than an application based on actual use.

6. The Principal and Supplemental Register

There are two separate federal registers for marks in the United States. The main register is the "Principal Register". The other register is called the "Supplemental Register" and it is used for marks which require secondary meaning, namely descriptive terms, geographic terms, personal names, and trade dress, where there is no proof of secondary meaning. Thus, the Supplemental Register is for terms that are capable of having trademark significance, but the applicant cannot or does not want to incur the expense of proving secondary meaning.

7. Grounds For Refusal of An Application for a Registration

The principal bases for an Examiner to refuse registration of a mark are:

1. The mark consists of or comprises immoral, deceptive, or scandalous matter; or matter which may disparage or falsely suggest a connection with persons, living or dead, institutions, beliefs, or national symbols, or bring them into contempt, or disrepute.
2. The mark consists of or comprises the flag or coat of arms or other insignia of the United States, or of any State or municipality, or of any foreign nation, or any simulation thereof.
3. The mark consists of or comprises a name, portrait, or signature identifying a particular living individual except by his written consent, or the name, signature, or portrait of a deceased President of the United States during the life of his widow, if any, except by the written consent of the widow.
4. The mark consists of or comprises a mark which so resembles a mark registered in the Patent and Trademark Office, or a mark or trade name previously used in the United States by another and not abandoned, as to be likely, when used on or in connection with the goods of the applicant, to cause confusion, or to cause mistake, or to deceive.
5. The mark is deceptively misdescriptive of the goods or services.
6. The mark is deceptively misdescriptive of the goods or services.
7. The mark is the generic name for the goods or services.
8. The mark has been abandoned.
9. The mark is being used by, or with the permission of, the registrant so as to misrepresent the source of the goods or services.

The following categories of marks are registrable on the Supplemental Register but not on the Principal Register without evidence of secondary meaning:

1. The mark is merely descriptive of the goods or services.
2. The mark is primarily geographically descriptive of the goods or services.
3. The mark is primarily a surname.
4. Trade dress.

8. Maintaining Registrations in Force

Steps need to be taken in the United States Trademark Office to maintain a registration in effect. The term of a registration lasts for only ten years; therefore, renewals are required every ten years. In addition, it is necessary to file proof of continued use of the registered mark between the fifth and sixth years after registration.

9. State Registrations

Although it is best to register a mark in the United States Trademark Office for nationwide protection, registration in individual important States should be considered. Each of the 50 States usually has its own system. Procedural advantages can be obtained by registering in certain key States and state registrations are less expensive to obtain than federal registrations. Moreover, some states will register marks that would be rejected by the more rigorous Federal examination procedure. California registrations can be particularly valuable; California, if an independent country would have about the seventh largest economy in the world. Therefore, a registration in the state of California would protect a larger market than registrations in Canada, Australia, Finland, and Mexico.

5. ADVANTAGES OF FEDERAL REGISTRATION

There are many advantages to be obtained by registering a mark with the United States Trademark Office. These include the following:

1. Federal court jurisdiction which provides judges generally more experienced with trademark matters and judges that generally have a smaller case backlog.
2. Recovery of lost profits, damages and costs in a federal court infringement action, and the possibility of treble damages and attorneys' fees.
3. Nationwide constructive notice of a claim of ownership, which eliminates a good faith defense for a party adopting a trademark subsequent to the date of registration. (Principal Register only)
4. The right to deposit the registration with customs to stop the importation of goods bearing an infringing mark. (Principal Register only).
5. It is easier to win an infringement action and obtain an early injunction against infringement. The registration is evidence of validity, ownership of the mark by the registrant, and the registrant's exclusive right to use the mark in commerce in connection with the goods or services specified in the certificate. (Principal Register only)
6. Availability of criminal penalties in an action for counterfeiting a registered mark. (Principal Register only.)
7. The registration can become incontestable if five years of continuous and exclusive use of the mark, after the date of registration, is proven to the United State Trademark Office. For a mark that is incontestable, the registration constitutes conclusive evidence, with certain limited exceptions, of the registrant's exclusive right to use the registered mark in commerce. (Principal Register only)

6. ENFORCEMENT

It is important to protect a trademark against infringers. Failure to do so will greatly weaken the mark, and in some cases result in "abandonment". In order to police marks in the United States, it is possible to employ the services of a "watching service". These services report whenever someone applies to register a mark, or whenever a mark is published for opposition, that is similar to the mark that is being watched.

If a confusingly similar mark is published for opposition, an opposition should be filed with the Trademark Office. Similarly, if a registration for a confusingly similar mark is identified, a cancellation proceeding can be initiated by an earlier user of the mark.

When an infringement situation has been identified, it is necessary to act promptly. Any inexcusable delay in taking steps to stop the infringement can result in the court determining that no injunction should issue against further infringement under the doctrine of "laches".

A mark can become abandoned in the United States by becoming the "generic" name of a product. Examples of terms that were once trademarks but are now generic in the United States include "aspirin", "escalator", "elevator", "brassiere", and "shredded wheat". A strong policing action of the type that is for the marks "Levis", "Coke", and "Xerox" is necessary to prevent a valuable mark from becoming a

generic term for a product.

7. CONCLUSION

A well chosen and well protected trademark can mean success in the United States marketplace. This brief introduction provides the fundamentals of the United States trademark practice. Application of these fundamentals and a good dose of common sense can provide significant protection in the United States.

© Copyright Sheldon & Mak 1995

Sheldon Mak Rose & Anderson PC
100 E. Corson Street, Third Floor
Pasadena, California 91103-3842
626-796-4000
626-795-6321 fax